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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2005 AND ENDING December 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Veritust Financial, L.L.C.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3755 Capital of Texas Highway South, Suite 130

(No. and Street)

Austin

Texas

78704

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Edgar A. Brown

(512) 488-0647

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Sprouse & Anderson, L.L.P.

(Name - if individual, state last, first, middle name)

515 Congress Avenue, Suite 1212

Austin

Texas

78701

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAY 24 2006

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

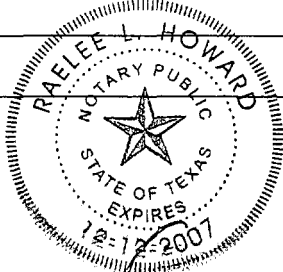
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Edgar A. Brown, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Veritrust Financial, L.L.C., as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Edgar A. Brown
Signature

President and CEO
Title

Raelee L. Howard
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



SPROUSE & ANDERSON, L.L.P.
ACCOUNTANTS & CONSULTANTS

VERITRUST FINANCIAL, L.L.C.

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
PURSUANT TO RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

VERITRUST FINANCIAL, L.L.C.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Condition	2
Statements of Loss	3
Statements of Changes in Members' Equity	4
Statements of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6-12
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION	13
Computation of Net Capital, Aggregate Indebtedness and Ratio of Aggregate Indebtedness to Net Capital Under Rule 15c3-1	14
Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements under Rule 15c3-3 of the Securities and Exchange Commission	15
REPORT ON INTERNAL CONTROL STRUCTURE	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5	16-17



SPROUSE & ANDERSON, L.L.P.
ACCOUNTANTS & CONSULTANTS

Managers and Members of
Veritrust Financial, L.L.C.
Austin, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial condition of Veritrust Financial, L.L.C. (the Company) as of December 31, 2005 and 2004, and the related statements of loss, changes in members' equity, and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sprouse & Anderson, L.L.P.

February 8, 2006
Austin, Texas

FINANCIAL STATEMENTS

VERITRUST FINANCIAL, L.L.C.

STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents (including restricted amounts of \$4,595 and \$36,295, respectively)	\$ 419,500	\$ 173,241
Accounts receivable	-	10,000
Prepaid expenses	-	121,863
Other current assets	346,290	624,107
Fixed assets, net of accumulated depreciation	54,462	129,982
Intangibles, net of accumulated amounts	<u>565,108</u>	<u>636,661</u>
 TOTAL ASSETS	 <u>\$ 1,385,360</u>	 <u>\$ 1,695,854</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Accounts payable	\$ 24,468	\$ 49,741
Accrued expenses	318,588	412,915
Notes payable	-	96,032
Total Liabilities	<u>343,056</u>	<u>558,688</u>

MEMBERS' EQUITY

Members' contributed equity	5,616,500	5,316,500
Retained deficit	<u>(4,574,196)</u>	<u>(4,179,334)</u>
Total Members' Equity	<u>1,042,304</u>	<u>1,137,166</u>

TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 1,385,360</u>	<u>\$ 1,695,854</u>
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SEE NOTES TO FINANCIAL STATEMENTS

VERITRUST FINANCIAL, L.L.C.

STATEMENTS OF LOSS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
REVENUE		
Commission income	\$ 6,346,761	\$ 7,661,795
Service income	100,000	120,000
Other income	7,848	4,309
Total Revenue	<u>6,454,609</u>	<u>7,786,104</u>
EXPENSES		
Commission expense	5,458,543	6,101,090
General and administrative	196,019	241,773
Salaries and related costs	784,535	923,210
Licenses and permits	65,240	29,412
Consulting	31,045	24,020
Marketing and advertising	3,373	14,497
Depreciation and amortization	147,073	137,970
Professional	114,708	185,936
Rent	113,500	115,393
Travel and entertainment	39,026	82,552
Total Expenses	<u>6,953,062</u>	<u>7,855,853</u>
Operating Loss	<u>(498,453)</u>	<u>(69,749)</u>
OTHER INCOME (EXPENSE)		
Litigation settlements and related legal costs	(146,409)	(212,862)
Sale of payroll slot administration business	250,000	-
Total Other Income (Expense)	<u>103,591</u>	<u>(212,862)</u>
NET LOSS	<u>\$ (394,862)</u>	<u>\$ (282,611)</u>

SEE NOTES TO FINANCIAL STATEMENTS

VERITRUST FINANCIAL, L.L.C.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Members' Contributed Equity			Retained Deficit	Total
	Class A	Class B	Class C		
Balance at December 31, 2003	\$ 300,000	\$ 3,000,000	\$ 1,811,500	\$ 5,111,500	\$ 1,214,777
Shareholder contributions	-	-	205,000	205,000	205,000
Net loss	-	-	-	(282,611)	(282,611)
Balance at December 31, 2004	\$ 300,000	\$ 3,000,000	\$ 2,016,500	\$ 5,316,500	\$ 1,137,166
Shareholder contributions	-	-	300,000	300,000	300,000
Net loss	-	-	-	(394,862)	(394,862)
Balance at December 31, 2005	\$ 300,000	\$ 3,000,000	\$ 2,316,500	\$ 5,616,500	\$ 1,042,304

SEE NOTES TO FINANCIAL STATEMENTS

VERITRUST FINANCIAL, L.L.C.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (394,862)	\$ (282,611)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Amortization expense	71,553	52,457
Depreciation expense	75,520	85,513
Decrease in accounts receivable	10,000	-
Decrease in prepaid expenses	121,863	271,131
Decrease (increase) in other assets	277,817	(267,775)
(Decrease) increase in accounts payable	(25,273)	2,902
(Decrease) increase in accrued expenses	(94,327)	21,767
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	<u>42,291</u>	<u>(116,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and intangibles	-	(11,807)
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>(11,807)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable	(96,032)	(194,352)
Shareholder contributions	300,000	205,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>203,968</u>	<u>10,648</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	246,259	(117,775)
CASH AND CASH EQUIVALENTS, beginning of year	<u>173,241</u>	<u>291,016</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 419,500</u>	<u>\$ 173,241</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	<u>\$ 1,393</u>	<u>\$ 5,629</u>

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

VERITRUST FINANCIAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Veritrust Financial, L.L.C. (the "Company") is a broker-dealer in securities registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers ("NASD"). The Company's activities are regulated by the NASD and Securities Exchange Act of 1934. The Company operates under (SEC) Rule 15c3-3(k)(2)(i), which provides that all funds and securities belonging to the Company's customers would be held in a segregated account specifically for the benefit of customers. The Company is a Texas limited liability corporation.

FEDERAL INCOME TAX

The Company is organized as a limited liability company (L.L.C.) and has elected to be treated as a partnership for Federal income tax purposes. As such, the Company is not, in general, subject to Federal income tax, but rather income and expenses are passed through to the members, who must report the income and expenses on their respective income tax return.

REVENUE RECOGNITION

Security transactions (and related commission revenue and expense) by the Company are recorded on a trade date basis.

FIXED ASSETS AND INTANGIBLES

Depreciation is provided for financial purposes using tax basis, straight-line method over five to seven years.

Amortization for intangibles with definite lives is computed on a straight-line method over five years. Intangibles with indefinite useful lives are not amortized but tested at least annually for impairment. The Company's intangibles which are amortized represent developed software and are being amortized over five years. The Company's intangibles which are not amortized represent rights to sales representative.

VERITRUST FINANCIAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2005 AND 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and equivalents include cash on hand and highly liquid debt instruments with original maturities of three months or less.

Cash deposits exceeded the securities investors protection corporation limit by approximately \$283,222 and \$618,051, respectively, for the years ended December 31, 2005 and 2004.

RESTRICTED CASH

Restricted cash consists of the Company's clearing deposit with its clearing broker. Such amounts are not available for operating purposes.

MEMBERS' EQUITY

The Company is authorized to issue three classes of membership interests. Class A Membership Interests are voting membership interests. Class B Membership Interests are non-voting membership interests entitled to a six percent cumulative, preferential return on any distribution or dissolution. Class B Membership Interests are convertible into Class A Membership Interests in a 1:1 ratio, based on percentage interest, not monetary contribution, at any time following the third anniversary of their issuance. Class C Membership Interests are voting membership interests that may be issued only to managers, officers or full-time employees subject to forfeiture or indenture upon their termination of position, office, or employment with the Company. Class C Membership Interests will be entitled to all the privileges and responsibilities granted to the Class A Membership Interests.

Ownership interests are as follows:

<u>Class</u>	<u>Ownership Percentage</u>
A	81%
B	9%
C	10%

VERITRUST FINANCIAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2005 AND 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2005 and 2004 was \$3,373 and \$14,497, respectively.

NOTE 2: FIXED ASSETS AND INTANGIBLES

The classes of fixed assets and intangibles and the related accumulated depreciation and amortization are as follows:

	Cost	Accumulated Depreciation/ Amortization	Net
	<u>2005</u>		
Fixed Assets:			
Equipment	\$ 362,057	\$ 313,256	\$ 48,801
Furniture	8,864	4,521	4,343
Other	24,469	23,151	1,318
Total	<u>\$ 395,390</u>	<u>\$ 340,928</u>	<u>\$ 54,462</u>
Intangibles:			
Software Development-Amortized	\$ 329,948	\$ 260,037	\$ 69,911
Rights to Sales Representatives- Unamortized	495,197	-	495,197
Total	<u>\$ 825,145</u>	<u>\$ 260,037</u>	<u>\$ 565,108</u>
	<u>2004</u>		
Fixed Assets:			
Equipment	\$ 362,057	\$ 244,292	\$ 117,765
Furniture	8,864	3,235	5,629
Other	24,469	17,881	6,588
Total	<u>\$ 395,390</u>	<u>\$ 265,408</u>	<u>\$ 129,982</u>
Intangibles:			
Software Development-Amortized	\$ 329,948	\$ 188,484	\$ 141,464
Rights to Sales Representatives- Unamortized	495,197	-	495,197
Total	<u>\$ 825,145</u>	<u>\$ 188,484</u>	<u>\$ 636,661</u>

VERITRUST FINANCIAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2005 AND 2004

NOTE 2: FIXED ASSETS AND INTANGIBLES (Continued)

Depreciation expense for the years ended December 31, 2005 and 2004 was \$75,520 and \$85,513, respectively.

Amortization expense for the years ended December 31, 2005 and 2004 was \$71,553 and \$52,457, respectively. Future estimated amortization expense for intangible assets is as follows:

2006	\$ 45,641
2007	24,173
2008	<u>97</u>
	<u>\$ 69,911</u>

NOTE 3: OPERATING LEASES

The Company leases office space and office equipment under several non-cancelable operating leases. Rental expense for office space for the years ended December 31, 2005 and 2004 amounted to \$113,500 and \$115,393, respectively. Rental expenses relating to leased office equipment amounted to \$29,058 and \$45,689, for the years ended December 31, 2005 and 2004, respectively. Future minimum lease payments in excess of one year at December 31, 2005, are as follows:

2006	\$ 131,177
2007	98,851
2008	<u>6,267</u>
	<u>\$ 236,295</u>

VERITRUST FINANCIAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2005 AND 2004

NOTE 4: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital of \$250,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2005 and 2004, the Company had net capital of \$397,603 and \$223,529, respectively. The Company did not meet the net capital requirements at December 31, 2004. The deficiency was cured during the first quarter of 2005. The Company's ratio of aggregate indebtedness to net capital was .90 to 1 at December 31, 2005 and 2.50 to 1 at December 31, 2004.

Effective January 4, 2006, the Company's minimum net capital requirement under SEC Rule 15c3-1 was reduced from \$250,000 to \$50,000.

NOTE 5: DEFERRED COMPENSATION PLAN

During 2002, the Company acquired a non-qualified deferred compensation plan under Internal Revenue Code section 457. The plan permits key representatives to defer a specified portion of their compensation. The Company has accrued approximately \$31,000 and \$38,000 for December 31, 2005 and 2004, respectively, for its obligation under their plans.

NOTE 6: LINE OF CREDIT

The Company had a line of credit in the amount of \$100,000. The line of credit matured on March 2005 and was not renewed. At December 31, 2005 and 2004 the balance on the line of credit was \$-0-.

VERITRUST FINANCIAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2005 AND 2004

NOTE 7: NOTES PAYABLE

The Company entered into agreements with financial institutions to finance insurance premiums. Notes payable consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Note payable dated June 2004 to an insurance company, due in monthly installments of \$23,482 including interest at 5.0%, maturing May 2005	\$ -	\$ 92,847
Note payable dated July 2004 to an insurance company, due in monthly installments of \$1,213 including interest at 6.79%, maturing April 2005	-	<u>3,185</u>
Total Notes Payable	<u>\$ -</u>	<u>\$ 96,032</u>

NOTE 8: RELATED PARTY TRANSACTIONS

In November 2005, the Company entered into an agreement with an affiliated company for its errors and omission insurance premium. The affiliated company assumed all remaining liability from the previously financed errors and omission premiums in exchange for monthly payments from the Company. The affiliated company owns 100% of Class A and 100 % of Class C membership. The Company agreed to pay five monthly payments, each in the sum of \$23,000, commencing on December 31, 2005, and continuing monthly thereafter, through April 1, 2006. The affiliated company has the right to cancel and terminate the policy if payment is not received from the Company. As of December 31, 2005, the Company owed the affiliated company \$-0-.

In September 2005, the Company entered into an asset purchase agreement, where as the Company agreed to sell to a related party all legal and equitable title to any and all payroll slots currently administered by the Company and all other rights to operate and administer any and all payroll slots for \$250,000. The Company also agreed to the sell of title and all the Company's rights to equipment and software programs used by the Company in the operation and administration of such payroll slots used by the Company. The Company's President & CEO owns 100% of the related party.

VERITRUST FINANCIAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2005 AND 2004

NOTE 9: CHANGE OF OWNERSHIP

The President & CEO of the Company, who also owns 100% of Class B Membership, has entered into an agreement on August 10, 2005 with the current owners of the membership interests of the Company to acquire 100% membership of the Company. The purchase price for the acquisition is \$1,500,000 subject to certain downward revisions based on the Company's net commission revenue over the next several years. The purchase is subject to regulatory approval, and dependent of the Company maintaining a certain level of regulatory capital at closing.

Simultaneous with the closing as noted above, the President & CEO will grant options to a related party or its designee to acquire up to 50% of the Company, based on the Company's performance, for \$100,000.

It is currently under a 90 day feasibility investigation period. The closing of the sale will be on or before the investigation period is over.

SUPPLEMENTAL INFORMATION



SPROUSE & ANDERSON, L.L.P.
ACCOUNTANTS & CONSULTANTS

Members and Managers of
Veritrust Financial, L.L.C.
Austin, Texas

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY
INFORMATION REQUIRED BY RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION

We have audited the accompanying financial statements of Veritrust Financial, L.L.C. for the year ended December 31, 2005, and have issued our report thereon dated February 8, 2006. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sprouse & Anderson, L.L.P.

February 8, 2006
Austin, Texas

VERITRUST FINANCIAL, L.L.C.

COMPUTATION OF NET CAPITAL, AGGEGATE
INDEBTEDNESS AND RATIO OF AGGREGATE
INDEBTEDNESS TO NET CAPITAL UNDER RULE 15c3-1

DECEMBER 31, 2005

TOTAL MEMBERS' EQUITY	\$ 1,042,304
Deductions:	
Non-allowable assets:	
Fixed asset, net of accumulated depreciation	(54,462)
Intangible, net of accumulated amortization	(565,108)
Unsecured receivable and prepaid insurance	(25,131)
Total Net Capital	<u>\$ 397,603</u>
AGGREGATE INDEBTEDNESS	
Accounts payable	\$ 24,468
Accrued expenses	318,588
Note payable	-
Total Aggregate Indebtedness	<u>\$ 343,056</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT	
Minimum net capital required of broker-dealer (6-2/3% of total aggregate indebtedness)	<u>\$ 22,870</u>
Minimum dollar net capital requirement of broker-dealer	<u>\$ 250,000</u>
Net capital requirement (greater of two above)	<u>\$ 250,000</u>
Net capital over the required minimum	<u>\$ 147,603</u>
Ratio: Aggregate indebtedness of net capital	.86 to 1

SEE AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

VERITRUST FINANCIAL, L.L.C.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
AND INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2005

COMPUTATION FOR DETERMINATION OF RESERVE REQUIRMENETS UNDER RULE
15c3-3

CREDIT BALANCES:

Free credit balances and other credit balances in customers' security accounts	\$ -
Total Credits	-

DEBIT BALANCES:

Total Debits	-
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RESERVE COMPUTATION:

Excess of total credits over total debits	\$ -
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105% of excess of total credits over total debits	\$ -
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Amount held on deposit in "Reserve Bank Account," including value of qualified securities, at December 31, 2005	\$ 4,595
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INFORMATION FOR POSSESSION OR CONTROL REQUIRMENTS UNDER 15c3-3

The system and procedures utilizes in complying with the requirement to maintain physical possession or control of customers' fully paid and excess securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3.

Yes x
No

SEE AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

REPORT ON INTERNAL CONTROL STRUCTURE



SPROUSE & ANDERSON, L.L.P.
ACCOUNTANTS & CONSULTANTS

Managers and Members of
Veritrust Financial, L.L.C.
Austin, TX

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE REQUIRED BY SEC RULE 17a-5

In planning and performing our audit of the financial statements and supplemental information of Veritrust Financial, L.L.C. (the "Company") for the year ended December 31, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g) (1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company (including tests of such practices and procedures) that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a) (11), and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Independent Auditor's Report on Internal
Control Structure Required By SEC Rule 17a-5

Because of inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of specific internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Spruill & Anderson, L.L.P.

February 8, 2006
Austin, Texas